MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

METROPOLITAN POLICE

MPS-MOPAC JOINT AUDIT PANEL
29 March 2021

External Audit Update

Report by: MOPAC Chief Finance Officer & Director of Corporate Services and MPS Director of Finance

Report Summary

Overall Summary of the Purpose of the Report
This paper updates the Audit Panel on draft 2019/20 Annual Audit Letter, and the work and progress of the Grant Thornton (GT) 2020/21 external audit.

Key Considerations for the Panel
To note the draft 2019/20 annual audit letter and preparations for the 2020/21 audit, the interim audit work, and that there are no significant issues to report at this stage.

Interdependencies/Cross Cutting Issues
The external audit function provides an independent opinion on the statutory accounts and the arrangements for delivering value-for-money which are used as a basis to inform the AGS and governance improvement.

Recommendations

The Audit Panel is recommended to:

a. Note the draft annual audit letter
b. Note the external audit update report

1. Supporting Information

1.1. The January Audit Panel meeting were advised of the completion of the audit of the 2019/20 statutory accounts including the unqualified status of the accounts and the auditor conclusion that proper arrangements to secure economy, efficiency and effectiveness in its use of resources was in place.

Draft Annual Audit Letter 2019/20 – Appendix 1

1.2. The AAL summarises the key findings arising from the work that GT carried out at the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (MPS) for the year ended 31 March 2020. As previously reported GT gave unqualified opinions on MOPAC, the group and MPS' financial statements with a note in respect of uncertainty over valuations in the MOPAC/group statements given the C-19 pandemic - but this did not affect the GT opinion that the statements give a true and fair view of MOPAC/group financial position.

1.3. The completion of the Whole of Government Accounts (WGA) work remains outstanding due to a technical reporting issue which the MPS notified HM Treasury of . The resolution of this issue and the certification of the WGA by GT will enable the completion of the audit and the issuing of the audit certificate to MOPAC/MPS.

1.4. GT report that they are satisfied that MOPAC and MPS each put in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

1.5. As reported at the previous Audit Panel the detailed findings were reported to those charged with governance on 5 November 2020.

1.6. Management have agreed or partially agreed the recommendations made by GT and provided responses to address the issues – see pages 19-25 of Appendix 2.

1.7. Once completed the Annual Audit Letter will be published on both the MPS and MOPAC websites.

Audit Panel Progress Report and Sector Update – Appendix 2

1.8. The GT progress report sets out the early preparation activities for the 2020/21 audit, with early testing underway. GT propose to provide the audit plan in April. This will take into account the new National Audit Office (NAO) code of practice revised approach to the audit of Value for Money.

1.9. The Government laid amendments to the Accounts and Audit Regulations for accounts beginning in 2020 and 2021. For MOPAC/MPS these delay the deadline for the publication of the draft accounts from 1 June to 1 August and the final accounts from 31 July to 30 September. If draft accounts are not published by 1 August a notice must be published on the website. MOPAC/MPS continue to aim to publish draft accounts before the end of May.

1.10. In line with usual practice, GT provide links to sector developments and relevant GT publications which the Panel may wish to consider – pages 5 – 9 of Appendix 2. In particular, GT draw attention to a revised Internationals Standard on Auditing (ISA540) regarding the audit of accounting estimates. The revisions to this standard will require GT to undertake additional work in the auditing of material accounting estimates including land and buildings valuations, depreciation, provisions, accruals, pension liability valuation and pfi liabilities.

2. Equality and Diversity Impact

There are no equality and diversity implications directly arising from this report.

3. Financial Implications

3.1. GT previously identified additional costs of undertaking the 2019/20 audit of £32k above the contracted scale fee of £194k. GT identify in their AAL paper further additional costs of £34k for the completion of the 2019/20 audit – the additional costs are split MOPAC £20k and MPS £14k. GT explain that the additional costs arise from additional work associated with the Covid-19 pandemic.

3.2. These additional fees will be subject to discussion with MOPAC and MPS CFO's, and agreement by the Public Sector Audit Appointments – the appointing body for public sector bodies.

3.3. The Public Sector Audit Appointments (PSAA) organisation undertook a consultation last year on the issue of fee variations. They have resolved to undertake further research on the likely impact of changes in audit requirements on audit work and to consult further where they identify changes for which a national approach to a change in fees might be appropriate. This will be applicable for the 2020/21 audit work. PSAA also state that all fee variations (national and local) will be calculated using a new rate card reflecting increased hourly rates.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

This paper relates to the corporate risk register entries for resources and value for money - for MPS references 5 and 8, and for MOPAC references 1 and 18.

6. Contact Details

Report author: Alex Anderson, Management Accountant, MOPAC;
Director: Amana Humayun, MOPAC CFO and Director of Corporate Services

7. Appendices and Background Papers

Appendix 1 – Grant Thornton Draft Annual Audit Letter
Appendix 2 - Grant Thornton Audit Panel Progress Report and Sector Update

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Appendix 1

Joint Annual Audit Letter

Year ending 31 March 2020

Mayor's Office for Policing and Crime

Commissioner of Police of the Metropolis

March 2021

Contents

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at the Mayor's Office for Policing and Crime (MOPAC), the Commissioner of Police of the Metropolis (MPS) and the group for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to MOPAC, the MPS, the group and their external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work in our joint Audit Findings Report to the Deputy Mayor for Policing and Crime and the Commissioner, as those charged with governance for MOPAC and the MPS respectively. Our final Audit Findings Report was shared on the 5 November 2020 with both the Deputy Mayor for Policing and Crime and the Commissioner.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on MOPAC, the group and the MPS's financial statements (section two)
- assess MOPAC and the MPS's arrangements for securing economy, efficiency and effectiveness in their use of resources (the value for money conclusion) (section three).

In our audit of the financial statements of MOPAC, the group and the MPS, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of MOPAC, the group and the MPS' financial statements to be £51,329,000, which is approximately 1.5% of the MPS's prior year gross expenditure.
Financial Statements opinion	We gave unqualified opinions on MOPAC, the group and the MPS' financial statements on 5 November 2020. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of MOPAC and the group's land and buildings given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of MOPAC and the group's financial position and their income and expenditure for the year.
Whole of Government Accounts (WGA)	We have yet to finalise work on the group consolidation return following guidance issued by the NAO. We have substantively completed all work in respect of the group audit procedures specified by NAO. We are however unable to certify the completion of this work due to a technical error in the underlying reporting system. Your finance team have made HM Treasury aware of this technical issue and are now awaiting for this to be fixed. Once the reporting function has been fixed we will be able to certify the completion of this work.

Executive Summary

Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that MOPAC and the MPS each put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit reports to MOPAC and the MPS on 5 November 2020.
Certificate	We are unable to certify that we have completed the audit of the financial statements of MOPAC, the group and the MPS until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for MOPAC and the Commissioner of Police of the Metropolis for the year ended 31 March 2020.

Working with MOPAC and the MPS

We would like to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during the audit.

Grant Thornton UK LLP
March 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of MOPAC, the group and the MPS's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of MOPAC, the group and the MPS' financial statements as a proportion of the lesser of gross expenditure of MOPAC and gross expenditure of the MPS (baseline figures taken from the 18/19 audited accounts). For 2019/20 this was determined to be £51.329m, which is 1.5% of the MPS's prior year gross expenditure. We used this benchmark as, in our view, users of the financial statements are most interested in how the entities and the group have spent its revenue in the year.

We set a lower threshold of £2.566m, above which we reported errors to the Deputy Mayor for Policing and Crime and the Commissioner, as those charged with governance for MOPAC and the MPS respectively, within our Joint Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and the annual governance statement to check they are consistent with our understanding of both MOPAC and the MPS and with the financial statements on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of MOPAC, the group and the MPS' business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	Relates to	How we responded to the risk	Findings and conclusions
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	MPS, MOPAC and Group	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at MOPAC, we have determined that the risk of fraud arising from revenue recognition could be rebutted, because: ▪ There is little incentive to manipulate to manipulate revenue recognition; ▪ Opportunities to manipulate revenue recognition are very limited; and ▪ The culture and ethical frameworks of local authorities, including MOPAC, mean that all forms of fraud are seen as unacceptable. Therefore we did not consider this to be a significant risk for MOPAC or the Group. For MPS, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the MPS's financial statements as a transfer of resources from MOPAC to MPS for the cost of policing services. Income for the MPS is received entirely from MOPAC. Therefore we did not consider this to be a significant risk for the MPS.	Our work did not identify any material issues in relation to revenue recognition.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.	MPS, MOPAC and Group	As part of our audit work we; ▪ Evaluated the design effectiveness of management controls over journals; ▪ Analysed the journals listing and determined criteria for selecting high risk unusual journals for testing; ▪ Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; ▪ Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and ▪ Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	Our work did not identify any material issues in relation to this risk.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	Relates to	How we responded to the risk
Valuation of property, plant and equipment MOPAC re-values land and buildings on a rolling basis over a 5-year period to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements. We have therefore identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	MPS, MOPAC and Group	As part of our audit work we; ▪ Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We also engaged our own valuer to assess the instructions and final valuation reports of the group's valuer; ▪ Evaluated the competence, capabilities and objectivity of the valuation expert; ▪ Discussed with the valuer (where necessary) the basis on which the valuation was carried out to ensure that the requirements of the Code were met; ▪ Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. We also engaged our own valuer to assess the group's valuer's report and the assumptions that underpin the valuation; ▪ Carried out testing of data provided to the valuer to gain assurance it was complete and accurate; ▪ Tested revaluations made during the year to assess if they had been input correctly into MOPAC (and the group's) asset register; and ▪ Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. **Finding and conclusions:** Due to the potential impact that Covid-19 has on the value of MOPAC and the group's land and buildings at 31 March, management's external valuer has disclosed a material valuation uncertainty within the interim market report (in line with VPGA 10 of the RICS Red Book Global) which has been used to bridge the gap between the valuation provided as at 30 September 2019 to 31 March 2020. MOPAC and the group updated the accounts to reflect the material uncertainty within note 5. We also reflected the disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty. Our work did not identify any further material issues in relation to this risk.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	Relates to	How we responded to the risk
Valuation of pension fund net liability The Police Officer Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements. This estimate by its nature is subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	MPS, MOPAC and Group	As part of our audit work we; ▪ Updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluated the design of the associated controls; ▪ Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; ▪ Assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; ▪ Assessed the accuracy and completeness of the information provided by the MPS to the actuary to estimate the liability; ▪ Tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and ▪ Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report, this included the potential impact of the McCloud/Sargeant ruling. **Finding and conclusions:** On 16 July 2020 HM Treasury (HMT) published their Public service pension schemes consultation which contained the proposed remedy regarding the McCloud/Sargeant case. Management requested a revised report from its actuary which reflects the HMT consultation in the assumptions which underpin the estimates for the pension liability and service costs in line with IAS 19. The impact of this change in the assumptions was to reduce the pension liability by £202m. This resulted in changes to the MPS, MOPAC and Group Comprehensive Income and Expenditure Statements, Balance Sheets and Movement in Reserves Statements, as well as a number of the Notes to the financial statements including the Expenditure and Funding Analysis (EFA) and supporting notes to the EFA, adjustments between accounting basis and funding basis, Unusable Reserves and Defined Benefit Pension Schemes. For the avoidance of any doubt, the impact of this adjustment has no impact on the useable reserves of the MPS, MOPAC or the Group. Note this is not a misstatement however is an amendment made to the accounts based on new available information post submission of the accounts to audit. Our work did not identify any further material issues in relation to this risk.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	Relates to	How we responded to the risk
Covid– 19 The global outbreak of outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisation, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including but not limited to: • Remote working arrangements and potential redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation. • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates. • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	MPS, MOPAC and Group	As part of our audit work we; • Worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were published on 19 June 2020; • Liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. We evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • Evaluated whether sufficient audit evidence could be obtained through remote technology; • Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets, pension fund net liability valuations and recovery of receivable balances; • Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • Discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence; and • Engaged the use of an auditor expert to gain assurance over asset valuations.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	Relates to	How we responded to the risk
Covid– 19 The global outbreak of outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisation, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including but not limited to: • Remote working arrangements and potential redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation. • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates. • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	MPS, MOPAC and Group	**Finding and conclusions:** Due to the potential impact that Covid-19 has on the value of MOPAC and the group's land and buildings at 31 March, management's external valuer has disclosed a material valuation uncertainty within the interim market report (in line with VPGA 10 of the RICS Red Book Global) which has been used to bridge the gap between the valuation provided as at 30 September 2019 to 31 March 2020. MOPAC and the group updated the accounts to reflect the material uncertainty within note 5. We also reflected the disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty. Our work did not identify any further material issues in relation to this risk.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	Relates to	How we responded to the risk
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases	MOPAC and Group	As part of our audit work we; ▪ Reviewed your disclosure within the accounting policies to ensure that it is consistent with the disclosure requirements of IAS 8. Management are continuing to work through the financial implications of IFRS 16 on their financial statements from 1 April 2021. The delay of the implementation of the standard by a year impacts on their proposed calculations. Therefore, at this stage management have decided not to include the estimated impact of the estimation until their work is complete. We are satisfied that the disclosure included within the MOPAC and group accounts is consistent with the requirements of IAS 8.

Audit of the Financial Statements

Audit opinion
We gave an unqualified opinion on MOPAC, the group and the MPS's financial statements on 5 November 2020, in advance of the national deadline.

Preparation of the financial statements
We were presented with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements
We reported the key issues from our audit of the financial statements of MOPAC and the MPS to the Deputy Mayor for Policing and Crime and the Commissioner as those charged with governance on 5 November 2020.

The key recommendations from our Joint Audit Findings Report are set out in Appendix B.

Annual Governance Statement and Narrative Report
We are also required to review MOPAC and the MPS' Annual Governance Statements and Narrative Reports. MOPAC and the MPS published them on its website in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that the documents were consistent with the financial statements prepared by MOPAC, the group and the MPS and with our knowledge of the entities.

Whole of Government Accounts (WGA)
We have yet to finalise work on the group consolidation return following guidance issued by the NAO. We have substantively completed all work in respect of the group audit procedures specified by NAO. We are however unable to certify the completion of this work due to a technical error in the underlying reporting system. Your finance team have made HM Treasury aware of this technical issue and are now awaiting for this to be fixed. Once the reporting function has been fixed we will be able to certify the completion of this work.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of MOPAC, the group and the MPS until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for MOPAC and the Commissioner of Police of the Metropolis for the year ended 31 March 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:
In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Joint Audit Findings report agreed with MOPAC and the MPS in November 2020, we agreed recommendations to address our findings.

The key recommendations from our Value for Money Report are set out in Appendix C.

Overall Value for Money conclusion

We are satisfied that in all significant respects MOPAC and the MPS have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ending 31 March 2020.

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Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Police and Crime Plan The Police and Crime Plan (PCP) places emphasis on high harm crimes, safeguarding and vulnerability. To deliver the outcomes of the plan relies on using the convening powers of the Mayor to work with partners to make London safer. The plan covers the period 2017-2021 and is entering a key phase of its delivery. Given the rise in demand and continued funding challenges for all public services, including policing, there are risks to deliver the outcomes set out in the police and crime plan.	As part of our work we have: • reviewed the arrangements in place to deliver the plan across the complex partnership structure • we have also reviewed the arrangements in place to identify measures against which to assess and report progress effectively and transparently to stakeholders and the public	**Findings:** • Over the past 12 months, MOPAC has continued to develop and refine its framework to deliver against the PCP objectives and fulfil its statutory functions. Governance changes within the London Crime Reduction Board (LCRB) and sub-boards has improved in the past year however there is still room for improvement. • The delay in the mayoral election is seen as an opportunity to continue to build a strong evidence base for the next PCP. This should provide MOPAC with a strong position from which to engage with key stakeholders and partners about what does and doesn't work in delivering against the objectives of the next PCP. • The Violence Reduction Unit (VRU) is a separate entity however MOPAC is legally accountable for the decisions and operations which relate to MOPAC's responsibilities. During the year we recognise that there has been an increase in collaborative work between MOPAC, the Greater London Authority (GLA) and the VRU. As part of this work, clearer lines were drawn differentiating the work of the VRU compared with MOPAC and where indeed there is overlap. Though there remains some challenges, there is evidence that these are being worked through over time. **Conclusion:** We did not identify any material weakness in value for money arrangements in relation to this significant risk.

Value for Money conclusion

Value for Money Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Financial strategy and long term sustainability The MOPAC/MPS draft budget submission to 2023/24 recognises the funding challenges currently faced in the short to medium term. The plan identifies a budget gap of £480m. There is significant uncertainty about the future of police funding, in particular the exact phasing and nature of uplift funding and the potential reform of the police funding formula. This is further compounded by the political uncertainty created by the UK's withdrawal from the E.U. and the London Mayoral elections in May 2020. These factors create a risk that opportunities to invest created by the recent settlement are undermined by uncertainties about funding in the longer term.	As part of our work we have: • reviewed the arrangements for developing and agreeing the 2020/21 budget and medium term financial plans, including the identification of savings plans, and consider the level of risk within these plans.	**Findings:** • The MPS has reported that it has delivered £26.3m out of a savings target of £35.1m for 2019/20 (75% savings achieved to target). This is a decrease from the 97% savings achieved to target in 2018/19 and further supports the diminishing opportunities of realising savings that can be achieved as £877m of savings have been delivered since 2013/14. • Looking forward, the MPS is entering a period of growth in officer numbers. In order to ensure financial sustainability, it will be important to ensure reserves are adequate to deal with one-off shocks as well as creating and delivering change programmes needed to adapt to planned growth requirements. • In recent years, MOPAC and the MPS has shifted the core planning assumption from one based on reducing the size of the organisations towards one focused on growth as a result of political commitments about increased police officers; these commitments remain. With the large and increasing number of variables to consider MOPAC and the MPS should continue to build on the scenario planning arrangements. However the planning assumption may now need to shift from cautiously optimistic to cautious with plans focused on what may be a worst-case scenario. • Our review of the Medium Term Financial Planning arrangements has not identified any significant weaknesses. Key assumptions have been reviewed and we have not identified any which are unreasonable. • The MPS faces many constraints that make capital investments and transformation challenging. Therefore, going forward MOPAC and the MPS has recognised the importance of establishing a refreshed capital strategy, linked to transformation programmes at the same time as recognising the potential adaptations such as smarter working arrangements as a result Covid-19. **Conclusion:** We did not identify any material weakness in value for money arrangements in relation to this significant risk.

Value for Money conclusion

Value for Money Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Strategic planning, governance and performance 'The Met's Direction: Our Strategy 2018-2025' sets out the MPS's long-term operational priorities, as well as the key areas of future focus. The MPS continues to develop its business planning arrangements to enable the delivery of this long-term vision. The effective communication and delivery of this strategy in an organisation the size and scale of the MPS is a significant challenge. It requires engagement with multiple stakeholders and a detailed understanding of a large amount of complex information. The MPS has recently introduced a performance framework dashboard. How this framework is used and links to both business planning as well as finance and transformation will be key. The identification and monitoring of benefits, both financial and non-financial remains key to your long-term outcomes. Externally there is continued political uncertainty surrounding the UK's withdrawal from the EU, its impact on operational policing and the political impact it may have on future spending reviews. The next London Mayoral election was due to take place in May 2020 but has now been delayed by a year as a result of the COVID-19 epidemic.	As part of our work we have: • considered the arrangements in place for implementing the new strategy including the links with business planning and the priorities in the Police and Crime Plan.	**Findings:** • There is strong alignment between the performance framework and the pillars of the Met Vision. There is also evidence that the performance framework is live and kept under review to ensure metrics remain applicable. • The performance framework is seen as a key mechanism for the MPS to become better at working together to improve outcomes and to create a sense of shared responsibility and accountability. • The MPS is reviewing how it makes decisions to ensure that processes are streamlined, that business groups are empowered to make decisions and that these decisions are appropriately assured. **Conclusion:** We did not identify any material weakness in value for money arrangements in relation to this significant risk.

Value for Money conclusion

Value for Money Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Transformation The transformation capacity and capability within the MPS has matured significantly in recent years. The scale of transformation remains significant and there remains a risk that the level of activity in the portfolio grows in excess of the capacity to deliver it within both the Transformation Directorate and the wider business.	As part of our work we have: • updated our understanding of progress within the change portfolio and the current levels of risk to delivery. • followed up recommendations made from previous years and determine progress.	**Findings:** • Capacity has been and remains a challenge for the Transformation Directorate (TD). At the time of our review the portfolio was running ten programmes and remined at surge meaning that running costs are relatively high. Despite the capacity challenge the portfolio remains in good position. However the MPS needs to guard against optimism bias that can creep in as a result of the success of the portfolio to date. • The portfolio has continued to progress key programmes despite the Covid- 19 pandemic. Connect has experienced some delays but these are for worthwhile reasons (design specifications) and at the time of our review were not considered to move the go-live dates significantly. • Further development of the Heatmap used to track interdependencies has been undertaken and this tool is now providing the organisation with a detailed understanding of how and when change is likely to impact the business. The use and understanding of the heatmap has significantly improved since our last review. **Conclusion:** We did not identify any material weakness in value for money arrangements in relation to this significant risk.

Appendix A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit. We can confirm there were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	March 2020
Audit Findings Report	November 2020
Annual Audit Letter	December 2020

Fees

	Planned £	Actual fees £
MOPAC Statutory audit	133,508	153,534
MPS Statutory audit	92,400	106,260
Total fees	**225,908**	**259,794**

Audit fee variation

As outlined in our audit plan, the agreed fee for of £133,508 for MOPAC and £92,400 for MPS, assumes that the scope of the audit does not significantly change. The impact of Covid-19 has resulted in a changed of scope and led to additional work. More details are set out in the table beside.

Area	Reason	Fee increase proposed
Covid-19	The additional significant risk of Covid-19 and additional time it has taken to complete the audit as a result of remote working arrangements has meant an increase in time taken to complete the audit and increased volume of work and scope of our audit work to reflect this additional risk. This includes: - Revisiting planning and risk assessment work - Increased volume of work to gain assurance over management's assumptions and estimates - Financial resilience assessment included in our going concern and value for money work - Increased time taken to deliver the audit as a result of remote working of all staff A fee increase of 15% is proposed to cover the additional work incurred by Grant Thornton.	MOPAC £20,026 MPS £13,860
		Final MOPAC £153,534 **Final MPS £106,260** **Total final fees £259,794**

Appendix B. Joint financial statement action plan (1 of 3)

Rec No.	Issue	Priority	Recommendation
1	**Fixed Asset Register (FAR)** The FAR is maintained through asset listings on numerous Excel spreadsheets. With the high number and value of MOPAC assets there is great risk around the maintenance of the FAR, in relation to the risk of human error and management not being able to have easy overview of adjustments and PPE accounting entries. Management have carried out considerable work to improve the quality of working papers to support PPE balances during 2019-20, however the fact remains that maintaining over £1.8bn of assets through excel spreadsheets is imperfect and not fit for purpose.	High	**Auditor recommendation:** Management should review the options for a FAR system which includes consideration of sufficient processes and controls of the system to ensure the risk is sufficiently mitigated. **Management response:** Agreed. We have now implemented a new automated fixed assets system which will ensure appropriate processes and controls can operate over fixed asset accounting.
2	**Property Valuations** Within the financial statements MOPAC has included a policy on valuations whereby the top 20 highest value properties as well as 20% of assets are subject to physical inspection by the valuer. From our work on property valuations we noted that there were two assets within the top 20 highest value that had not been subject to physical inspection. The combined value of these two assets were £29.6m. Instead, two other assets had been included for physical inspection. These assets ranked #21 and #22 largest assets in MOPAC's property portfolio. The combined value of these two assets were £24.5m. We also noted that there were five assets from the residual 20% of assets category which had not been subject to physical inspection. The combined value of these assets were £17m. The above two issues are to be understood as inconsistencies between the accounting policy adopted and set out in the financial statements and the accounting policy being applied.	Low	**Auditor recommendation:** Management should ensure that accounting policies adopted for property valuations are appropriately applied and that classes of asset are captured for physical inspection on a rolling basis to ensure the carrying value is not materially different to the current value determined at the end of the reporting date. **Management response:** Noted. The decision to revalue each year our top 20 assets goes beyond the requirements of the Code. For residual assets, we revalue them on a rolling 5 year programme. It is not unusual for a small number of assets to be revalued in a different year than originally planned, but we are content that over a 5 year period, all assets will be revalued in line with Code requirements. As such, we do not consider these to be significant issues.

Appendix B. Joint financial statement action plan (2 of 3)

Rec No.	Issue	Priority	Recommendation
3	**Property Depreciation** In accordance with your accounting policy, property assets are depreciated on a straight line basis over their Useful Economic Life's (UEL). The UEL of an asset represents a key assumption in the depreciation estimate. On an annual basis, management are provided with UEL information for each asset from your professional valuer. On receipt of this information management have told us that they perform an undocumented assessment of UEL's for each asset which takes into consideration information provided by the valuer. Management only update UEL's in the asset register where the existing value differs significantly to that of the valuers. We recognise that there may be very good reason for management to have a different view to the valuer in terms of UEL because the valuer may not be privy to all the information e.g. the future plans of the Authority. The control issue being highlighted here is that there is insufficient documented evidence setting out management's judgement, particularly where they differ to the valuer.	Low	**Auditor recommendation:** Management should consider improving their policy and processes with regards to assessing UELs. We encourage management to implement a documented process, one which enables an independent reviewer to understand and challenge key judgements being made. **Management response:** Partially agree. The policy around setting UELs for property assets is clearly stated and consistently applied. As part of the annual valuation exercise, the professional valuer provides their opinion on the potential remaining life of the asset. However, we are required to depreciate assets in line with our assessed useful economic life (i.e. over which period we anticipate gaining benefit from the property – which may be different from the valuers assessment of potential remaining life of the asset. We will continue to use the assessment of remaining life provided by the valuer to inform our view of UEL – and ensure this consideration is documented.

Appendix B. Joint financial statement action plan (3 of 3)

Rec No.	Issue	Priority	Recommendation
3	**Assets Under Construction (AUC) Reclassifications** As part of our work we identified an asset worth £28.5m which was incorrectly classified in your draft financial statements as AUC as at 31 March 2020. This is because the refurbishment had been completed at the end of December 2019 and so should have transferred to Operational Property. The error arose when Corporate Finance extracted the data from Artemis system during production of the financial statements, Property Services had not yet updated Artemis with the completion date for the asset.	Medium	**Auditor recommendation:** To review and consider the processes and controls in relation to ensuring completed assets as at the balance sheet date are correctly classified. This review should consider reliability and timeliness of information coming from the Artemis system as well as the communication between Corporate Finance and Property Services. **Management response:** Agreed. At the year end we will review the highest value assets under construction to ensure that they have been appropriately classified as AUC, or whether they should be reclassified as an asset in use. This should ensure that AUC balances are materially correct.

Appendix C. Joint value for money action plan (1 of 4)

Rec No.	Issue	Priority	Recommendation
1	**Achieving delivery of PCP through partnership structures** Our discussions with key stakeholders have identified that there is now a clearer connection with sub-groups and the LCRB. Governance changes within the LCRB and sub-boards has improved in the past year however there is still room for improvement. There is a risk that ineffective governance of the LCRB and sub-boards results in commitments and priorities not being met, impacting on the delivery of the elements of the PCP dependent on partnership working across London.	Medium	**Auditor recommendation:** We commend the steps being taken to ensure there is a link between objectives of the PCP and delivery of these objectives through partnership structures within the LCRB and sub-boards. In revisiting existing governance arrangements for the LCRB, DMG and sub-boards, MOPAC should ensure that the link of delivering the PCP objectives is fed down through the partnership structure and that performance or risk of delivery is fed back up to the LCRB and MOPAC. **Management response:** Agreed. A Governance Review has been taking place through 2020, with key milestones at the September and December 2020 Delivery Management Group meetings. The draft proposals were based on agreed Drivers for change and Principles for reform, developed and agreed by senior partners across the CJS. This includes rationalisation of the number of sub Boards, merging with the London Criminal Justice Board and its sub Boards, and revised Terms of Reference to be clearer about the extent these groups should be responsible for delivery of Police and Crime Plan commitments. The Mayor's London Crime Reduction Board will be the pinnacle of the new structures, with new lines of performance, programme delivery and risk information escalated to it.
2	**Delay in Mayoral Election** The delay in the mayoral election is seen as an opportunity to continue to build a strong evidence base for the next PCP. This should provide MOPAC with a strong position from which to engage with key stakeholders and partners about what does and doesn't work in delivering against the objectives of the next PCP.	Low	**Auditor recommendation:** The delay in mayoral elections has provided MOPAC with extra time therefore, resources and extra capacity should be used to continue to build upon evidence for planning for the next PCP and encouraging increased stakeholder engagement. **Management response:** Agreed. Evidence and Insight has been using the extra time to develop the best academic, performance data and international comparisons. This has been tested and developed with senior stakeholders, including the MPS and a full meeting of the Delivery Management Group in September 2020. A further discussion is planned for LCRB in February 2021 and throughout the Summer and Autumn of 2021, including during the formal three-month consultation period.

Appendix C. Joint value for money action plan (2 of 4)

Rec No.	Issue	Priority	Recommendation
3	**Violence Reduction Unit (VRU)** There is an inherent risk that governance arrangements between the VRU and MOPAC are blurred with the VRU sitting within MOPAC and therefore could create tensions in working and delivery arrangements. The VRU has similar priorities to several of the sub-boards within the LCRB and therefore a link should be established to ensure duplication of work is avoided and that communication between partners allows common issues to be acted upon.	Medium	**Auditor recommendation:** A clear link between the role of the VRU and the differentiation of the role of MOPAC needs to be embedded within the current structure. As MOPAC works with the LCRB and partnership sub-boards, more should be done to link these entities together to ensure there is effective partnership working and duplication of work is avoided, and synergies can be realised. **Management response:** Agreed. The VRU has a clear and existing workplan, so the PCP does not need to consult on or revise that. Nevertheless, the PCP will consult on issues of relevance such as crime trends and the CJS response. As noted in Recommendation 1, the PCP will be a key item for the revised LCRB and its sub Boards. One of the key Drivers for reform, was the need to reduce duplication between the LCRB and LCJB meetings, and for synergies to be realised.
4	**Financial Strategy** In recent years, MOPAC and the MPS has shifted the core planning assumption from one based on reducing the size of the organisations towards one focused on growth as a result of political commitments about increased police officers; these commitments remain. With the large and increasing number of variables to consider MOPAC and the MPS should continue to build on the scenario planning arrangements. However the planning assumption may now need to shift from cautiously optimistic to cautious with plans focused on what may be a worst-case scenario.	Medium	**Auditor recommendation:** The MPS and MOPAC should continue to review current and future budgets based on revised assumptions and further use scenario planning in order to inform future decision making in light future funding uncertainties. **Management response:** Agreed. Funding assumptions are considered as part of the budget setting process. For 21/22 the GLA have used scenario planning to estimate anticipated levels of police precept for the current and future years. In line with the guidance MOPAC/MPS are planning for the worst-case scenario but with flexible options in the event that there is actually an upside position. Similarly, for central government funding the MPS have considered various scenarios for the MTFP including the need to deliver efficiency savings on the current baseline. Furthermore, prudency has been adopted in the capture of budget savings to avoid the non-delivery of planned savings initiatives.

Appendix C. Joint value for money action plan (3 of 4)

Rec No.	Issue	Priority	Recommendation
3	**Reserves** With future funding uncertainties the use of reserves to provide long term financial sustainability and value for money is more important now than ever. The current general useable reserves balance of £64m is relatively small in the context of a £3.6bn budget.	High	**Auditor recommendation:** MOPAC will need to ensure that a balance is provided between the use of reserves to support current and future funding uncertainties and the need to ensure financial sustainability in the medium turn. In light of changes to risk, MOPAC should keep under review the percentage level of adequate general reserves which is currently set at 1.5%. **Management response:** Agreed. The level of General Reserves is considered annually as part of the Budget Setting process which includes the Medium Term Financial position and takes account of significant financial risks known at that time. Any changes to those risks are also monitored by both MOPAC and the MPS during the year and then discussed at a number of regular joint meetings and as part of Quarterly Monitoring processes. The level of General Reserves going forward into 21/22 and beyond will be considered in the review of the current Reserves Strategy which will be published in February 2021.
4	**Reserves** With general reserves currently held at around 2% of net revenue expenditure (NRE), this limits the flexibility in the current MTFP and makes the entity less resilient to financial shock and pressures. At the same time it has become increasingly difficult to obtain special grants from Home Office. As a result, there is great pressure on maintaining sufficient reserves but also using reserves appropriately to provide value for money. Looking forward, the MPS is entering a period of growth in officer numbers. In order to ensure financial sustainability, it will be important to ensure reserves are adequate to deal with one-off shocks as well as creating and delivering change programmes needed to adapt to planned growth requirements.	Medium	**Auditor recommendation:** Both organisations anticipate the need to make difficult financial decisions in the short to medium term. In making these decisions, MOPAC and the MPS should remain cognisant of the risk of using general reserves to support 'business as usual'. The transparent reporting of planned and actual use of reserves is an important arrangement that needs to continue and remain a prominent feature of quarterly finance monitoring reports. **Management response:** Agreed. The level of General Reserve has increased in value terms over the past year as a result of MOPAC achieving revenue underspends arising from tight financial control. There are currently no proposals to use the General Reserve to support Business as Usual activity. However, the General Reserve will be used by MOPAC to enhance its activity e.g. to fund the Mayor's Action Plan. The MOPAC Scheme of Consent and Delegation requires all uses of reserves to be approved by the DMPC. Formal requests for approval are submitted as part of the Quarterly Monitoring Processes. Levels of reserves are discussed with both the MPS and the GLA Chief of Staff as part of the Quarterly Oversight process and this practice will continue. 34

Appendix C. Joint value for money action plan (4 of 4)

Rec No.	Issue	Priority	Recommendation
5	**Capital Strategy** Comparing 2019/20 with 2018/19 we can see that there was a reduction of funding from capital receipts and grants with a corresponding increase in external borrowing further supporting the need to continually manage revenue and capital budgets.	High	**Auditor recommendation:** MOPAC and the MPS should continue to refresh the current capital strategy in light of current and future funding uncertainties. **Management response:** Agreed. The Capital Strategy is reviewed annually and an update draft was published on 30 November 2021. This strategy is based on a number of interdependent corporate strategies e.g. the Estates Strategy which are currently in draft form. An updated Capital Strategy will be formally submitted for approval in February 2021 and this will take into account: the resource requirements of the final agreed corporate strategies; the police funding settlement and police precept approvals and the affordability and sustainability of the capital strategy over the Medium-Term (5-year period ending 2024/25)
6	**Capital Strategy** With an expected increase in police officers, future funding uncertainty and the need to continually modernise IT, equipment and the estate there is a risk that capital programmes will fail in the short and medium term causing further budgetary pressures. An element of flexibility should be incorporated into the capital strategy due to the level of uncertainties posed on future funding and growth of officer establishment.	High	**Auditor recommendation:** Significant business cases should be kept under review especially where fundamental assumptions has changed in light Covid-19. Ensuring investment decisions are flexible such that they are able to provide value for money in a range of different scenarios and assumptions is an important consideration to make in such uncertain times. This should include the decision whether to proceed with the planned investment at all. **Management response:** Agreed. The MPS continues to use the Treasury Green Book five case model to produce business cases. Internal governance processes are being amended to maintain, and enhance where appropriate, the scrutiny of all investment cases. A 'Do nothing' option is always considered in significant investment decisions.

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Audit Progress Report and Sector Update

Mayor's Office of Policing and Crime
The Commissioner of the Police of the Metropolis
Year ending 31 March 2021

March 2021

Contents and Introduction

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This paper provides the Joint Audit Panel with a report on progress in delivering our responsibilities as your external auditor.

The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Joint Audit Panel can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the following link to be directed to the website https://www.grantthornton.co.uk/.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Contents

Progress at March 2021

2020/21

Our formal planning and early testing work has commenced in March.

As part of this work we have:

- continued to hold regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits;
- reviewed minutes and papers from key meetings, reviewed internal audit papers and latest financial and operational performance reports; and
- considered any reports from regulators.

We expect to issue our audit plan summarising our approach to key risks on the audit in April. We will report any findings from the interim and final audit to you within our audit findings report.

Value for Money

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which came into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Further detail on the NAO's revised approach to VFM work can be found here: https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/12/AGN-03-Auditors-Work-on-Value-for-Money-Arrangements.pdf

The new Code of Audit Practice issued by the NAO can be found here: https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

We are currently in the process of conducting our planning and risk assessment work around value for money arrangements.

Other areas

Meetings

We met with Finance Officers in February as part of audit planning for 2020/21. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We have also met with the Commissioner, Deputy Commissioner, Chief of Corporate Services and the Deputy Mayor for Policing and Crime and the Chief Executive of MOPAC in March as part of our audit planning and work on value for money for 2020/21.

Events

Our annual chief accountants workshop is scheduled to take place during February and March and will be a chance for your finance officers to speak to peers and obtain an understanding of the key changes impacting this year's accounts.

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Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	Issued - March 2021

2020/21 Deliverables	Planned Date	Status
Accounts Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Audit Panel setting out our proposed approach in order to give an opinion on MOPAC, the group and the MPS' 2020-21 financial statements.	April 2021	Not due yet
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	July 2021	Not due yet
Audit Findings (ISA260) Report The Audit Findings Report will be reported to the September Joint Audit Panel.	September 2021	Not due yet
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A draft of the AAR will be taken to the September Joint Audit Panel. The final version of the AAR will be published at the same time as the Auditors Report	September 2021	Not due yet
Auditors Report This is the opinion on your financial statements and annual governance statement.	September 2021	Not due yet

Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from sector specialists**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Police

Home Office

Police to receive more than £15 billion to fight crime and recruit more officers

Policing will receive up to £15.8 billion to support safer communities and cut crime.

The 2021 to 2022 funding package will include over £400 million to recruit 20,000 extra officers by 2023, building on the success of the first year of the recruitment campaign – which has already delivered almost 6,000 additional police officers.

Alongside getting more officers out on the street, the funding settlement will enable policing to tackle serious violence and increase the number of specialist officers tackling terrorism and serious organised crime, including child sexual abuse and drug trafficking.

The 2021 to 2022 funding package means an increase of up to £636 million on last year, should police and crime commissioners (PCCs) take full advantage of police precept flexibility.

The government also recognises that, during the coronavirus pandemic, huge demands have been made of the police.

That is why it has provided additional support throughout, including £30 million of surge funding to help forces step up COVID-19 enforcement activities in 2020 to 2021, and why it reimbursed all additional personal protective equipment (PPE) purchased between March and July.

The full article can be accessed here.

Home Office

National Audit Office latest reports

Overview of the UK government's response to the COVID-19 pandemic

This report provides a summary of the UK government's response to COVID-19 to date. Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history. This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19. The report covers the main actions taken by the UK government in England, as well as the funding provided to support responses in the devolved administrations of Northern Ireland, Scotland and Wales. It does not cover the individual responses in the devolved administrations, or the separate responses implemented by local authorities. The report covers the government's response up to 4 May 2020.

Click here to read more

National Audit Office

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do those charged with governance:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of both MOPAC and the MPS we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings,
- Depreciation,
- Year end provisions and accruals,
- Valuation of police officer pension liability,
- Fair value estimates,
- Finance lease and PFI liabilities.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures (continued)

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

- Where there is material estimation uncertainty, we would expect the financial statement disclosures to disclose:
- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainly is unresolved.

How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above).

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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